

Message Text

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AMEMBASSY CAIRO

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AMEMBASSY TEL AVIV

AMCONSUL NAPLES

C O N F I D E N T I A L TEHRAN 0298

E.O.11652: GDS

TAGS: OREP (MORGAN, THOMAS)

SUBJ: CODEL MORGAN'S VISIT TO IRAN

REF: TEHRAN 0154 AND PREVIOUS

1. SUMMARY: CODEL, MINUS CHAIRMAN MORGAN WHO HAD TO REMAIN IN ITALY BECAUSE OF INJURY, PAID SUCCESSFUL VISIT TO IRAN JANUARY 9-11. GROUP EXCHANGED VIEWS WITH SHAH, MINISTER OF ECONOMIC AFFAIRS AND FINANCE, AND IRANIAN PARLIAMENTARY LEADERS, AND HAD BRIEFINGS BY AMBASSADOR AND DOD REPRESENTATIVES. BECAUSE OF IRANIAN RELIGIOUS OBSERVANCES, PACE OF VISIT WAS NOT AS HECTIC AS USUAL, ALLOWING CODEL TO CATCH ITS BREATH MIDWAY IN TWO-WEEK MIDEAST TRIP. END SUMMARY.

2. AFTER BRIEF STOP AT HOTEL TO SETTLE IN, FIRST EVENT ON CODEL'S SCHEDULE WAS AMBASSADOR'S BRIEFING ATTENDED BY ALL MEMBERS OF CONGRESS, SOME WIVES AND MOST OF OTHERS ON DELEGATION. DISCUSSION WAS DESIGNED TO GIVE ALREADY WELL-BRIEFED CONGRESSMEN INSIGHT INTO IRAN'S REGIONAL INTERESTS, FEARS AND ASPIRATIONS; HIGHLIGHT CONGRUITY OF U.S. AND IRANIAN SECURITY INTERESTS IN AREA; PUT INTO PERSPECTIVE IRAN'S MILITARY EXPANSION AND MODERNIZATION PROGRAM; AND TOUCH LIGHTLY ON DYNAMICS OF IRANIAN

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ECONOMIC AND SOCIAL DEVELOPMENT. BRIEFING WAS FOLLOWED BY

RECEPTION AT RESIDENCE WHICH GAVE CODEL CHANCE TO MEET INFORMALLY WITH CROSS-SECTION OF IRANIAN GOVERNMENTAL, ACADEMIC AND JOURNALISTIC LEADERS. DESPITE FACT THAT THIS IS MONTH OF RELIGIOUS MOURNING, ATTENDANCE BY IRANIANS WAS EXCELLENT, AND SEVERAL MEMBERS OF CODEL LATER COMMENTED ON USEFUL EXCHANGE OF VIEWS THEY HAD HAD.

3. ON FOLLOWING MORNING CODEL MET WITH MINISTER OF ECONOMIC AFFAIRS AND FINANCE ANSARY FOR MORE THAN AN HOUR. IN HIS OPENING PRESENTATION ANSARY STRESSED THAT LOSS OF EXPECTED REVENUE THIS YEAR WHICH WILL AMOUNT TO \$2.5 OR \$3 BILLION BECAUSE OF REDUCED OIL LIFTINGS THREATENS NOT ONLY IRAN'S FOREIGN ASSISTANCE PROGRAM (WHICH HE SAID WOULD DISBURSE \$3.5 BILLION BY END OF THIS YEAR, 7 PERCENT OF GNP) BUT ALSO PURCHASES FROM ABROAD WHICH HAVE JUMPED 350 PERCENT IN PAST THREE YEARS TO ESTIMATED \$14 BILLION IN CURRENT IRANIAN YEAR WHICH ENDS MARCH 20. ANSARY REMINDED CODEL THAT U.S. IS IRAN'S LARGEST TRADING PARTNER AND IF PURCHASES HAVE TO BE CURTAILED IT COULD HAVE SIGNIFICANT EFFECT ON U.S. BALANCE OF PAYMENTS AND EMPLOYMENT LEVELS. HE THEN STATED THAT IRAN EXPECTS 19.8 PERCENT REAL GROWTH IN GNP THIS YEAR DESPITE DROP IN OIL EARNING AND THAT BY 1985 IT HOPS FOR \$170-180 BILLION GNP WHICH WOULD PUT IRAN'S ECONOMY ON PAR WITH PRESENT DAY EUROPEAN COUNTRIES. SPEAKING OF GOI'S DEFENSE SPENDING, ANSARY NOTED THAT EVEN BEFORE IRAN'S REVENUES FROM OIL HAD INCREASED, COUNTRY SPENT HIGH PROPORTION OF BUDGET ON DEFENSE BECAUSE SHAH RECOGNIZED THAT INTERNAL DEVELOPMENT PLANS FOR IRAN DEPENDED UPON STABILITY AND STRENGTH PROVIDED BY EFFECTIVE MILITARY FORCES. TODAY DOMESTIC PROGRAMS ARE BEING PUSHED TO LIMIT OF THEIR ABSORPTIVE CAPACITY, SO DEFENSE SPENDING DOES NOT DIVERT FUNDS FROM INTERNAL DEVELOPMENT.

4. CONGRESSMEN QUESTIONED ANSARY AT LENGTH ABOUT WHETHER IRAN AND OTHER NEWLY-RICH COUNTRIES OUGHT NOT TO CARRY GREATER SHARE OF FOREIGN ASSISTANCE LOAD, EVEN IN PLACES LIKE ANGOLA, NOW THAT IT IS ECONOMICALLY AND POLITICALLY DIFFICULT FOR U.S. TO DO SO. ANSARY ANSWERED THAT IRAN IS ALREADY DEVOTING HIGHER PROPORTION OF ITS GNP TO FOREIGN AID THAN ANY OTHER COUNTRY EVER HAS, THAT IT WOULD DO MORE IF INTERNATIONAL MECHANISMS COULD BE DEvised TO MAKE ADDITIONAL AID EFFECTIVE, AND THAT INTERDEPENDENCE OF WORLD MAKES CONTINUING U.S. INTERNATIONAL LEADERSHIP AND

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ASSISTANCE IMPERATIVE WHETHER WE LIKE IT OR NOT. PUSHED REGARDING TERMS OF IRAN'S OVERALL ASSISTANCE ABROAD, ANSARY ADMITTED THAT ONLY \$1.2 OF \$3.5 BILLION DISBURSED THIS YEAR WAS ON CONCESSIONAL TERMS AND REST WAS AT COMMERCIAL RATES. IN RESPONSE TO QUESTIONS ABOUT HIGH OIL PRICES, ANSARY POINTED

OUT DIRECT RELATIONSHIP BETWEEN WHAT IRAN BUYS AND OIL PRICE. HE CLAIMED ONLY 1 PERCENT OF U.S. INFLATION WAS CAUSED BY INCREASED

OIL PRICE, WHILE PRICE OF IMPORTS FROM U.S. HAD GONE UP 35 PERCENT IN SAME PERIOD.

5. AUDIENCE WITH SHAH, ATTENDED BY CONGRESSMEN, MR. FRIEDERSDORF AND AMBASSADOR, OPENED WITH GENERAL DISCUSSION OF WHETHER U.S. WAS BECOMING INCREASINGLY ISOLATIONISM.

SHAH COMMENTED THAT

AFTER INTENSE SELF-ANALYSIS OF VIET-NAM EXPERIENCE, U.S. MUST DECIDE WHERE ITS VITAL INTERESTS LIE, MAKE ITS STAND CLEAR TO OTHER COUNTRIES, AND CONTINUE TO PROVIDE LEADERSHIP NO OTHER

COUNTRY CAN OFFER. AT SAME TIME IT MUST NOW ALLOW STRENGTH TO BE SAPPED UNDER ILLUSION THAT DETENTE WILL RESTRAIN SOVIET AGGRESSION. SHAH RETURNED FREQUENTLY TO THREAT SOVIET AMBITIONS IN MIDEAST AND SOUTH ASIA POSE TO IRAN AND FREE WORLD, LINKING IRAN'S EFFORTS TO INCREASE ITS MILITARY POWER TO THIS LONG-TERM THREAT. HE CALLED ATTENTION TO SOPHISTICATED ARMS USSR IS PROVIDING IRAQ AND OTHER NEIGHBORING COUNTRIES AND NOTED THAT SITUATION WOULD BECOME UNBALANCED AND DANGEROUS IF U.S. DECLINED TO SELL ARMS TO ITS FRIENDS. SHAH WENT ON TO DESCRIBE INTENSE SOVIET NAVAL ACTIVITIES IN INDIAN OCEAN AND EXPRESSED VIEW THAT U.S. FACILITY ON DIEGO GARCIA WAS JUSTIFIED SO LONG AS SOVIET INFLUENCE REMAINED PREVALENT IN AREA. HE FELT IRAN'S HELP WAS NEEDED IN POLICING INDIAN OCEAN AND SAID HIS COUNTRY WOULD COOPERATE IN THIS EFFORT WITH SOUTH AFRICA BECAUSE OF ITS STRATEGIC LOCATION, EVEN THOUGH HE DISAGREED WITH POLICY OF APARTHEID.

6. ASKED WHAT HE THOUGHT U.S. POLICY TOWARD PLO SHOULD BE, SHAH EXPRESSED BELIEF ARAFAT WAS NOT SOVIET AGENT AND U.S. HAD NO CHOICE BUT TO ESTABLISH RELATIONS WITH THOSE WHO WILL EVENTUALLY SET UP PALESTINIAN STATE. IN BEGINNING THIS STATE MAY WELL BE EXTREMIST. AS FOR SYRIA, SHAH FELT ASAD WAS NOT HIMSELF A

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COMMUNIST BUT COUNTRY COULD GO EITHER WAY DEPENDING ON HOW DEEPLY COMMUNISTS HAVE INFILTRATED BA'ATH PARTY AND SYRIAN GOVERNMENT. SHAH BELIEVED IT WAS IMPORTANT FOR CONGRESS TO ALLOW IMPROVEMENT IN RELATIONS WITH TURKEY, SINCE IF U.S. LETS TURKEY DOWN IT WILL BE TEMPTED TO TURN TO RUSSIANS DESPITE TRADITIONAL DISTRUST.

7. REPRESENTATIVE FOUNTAIN GAVE SHAH DETAILED EXPLANATION OF CONGRESSIONAL VIEWS ON VARIOUS FOREIGN POLICY MATTERS. SHAH'S OPENNESS IN RESPONDING TO ALL QUESTIONS LEFT VERY FAVORABLE IMPRESSION ON CONGRESSMEN.

8. DEFENSE REP AND ARMISH/MAAG CHIEF THEN HOSTED LUNCH FOR ALL MEMBERS OF CODEL. THIS WAS FOLLOWED BY BRIEFING ON IRAN'S MILITARY POSTURE AND PLANS, ROLE OF U.S. IN ASSISTING WITH MILITARY MODERNIZATION, AND THIRD-COUNTRY MILITARY SALES AND

ADVISORY ACTIVITIES.

9. LAST OFFICIAL ITEM ON SCHEDULE WAS RECEPTION HOSTED BY PRESIDENT OF SENATE TO INTRODUCE CODEL TO MEMBERS OF BOTH HOUSES OF PARLIAMENT.

10. COMMENT: DESPITE UNFORTUNATE ABSENCE OF CHAIRMAN MORGAN, WE BELIEVE CODEL'S VISIT WAS HIGHLY USEFUL IN GIVING MEMBERS OF INTERNATIONAL RELATIONS COMMITTEE FIRST-HAND VIEW OF CURRENT DEVELOPMENTS IN IRAN AND EXPOSURE TO AUTHORITATIVE AND ARTICULATE PROPONENTS OF IRANIAN POLICY. REVERSE WAS ALSO TRUE; CODEL GAVE IRANIANS GOOD PICTURE OF CURRENT ATTITUDES IN CONGRESS AND CONSTRAINTS ON U.S. POLICIES. IN KEEPING WITH RELIGIOUS OBSERVANCES, GOI WAS SOMEWHAT MORE RESTRAINED THAN USUAL IN HOSPITALITY OFFERED VISITING GROUP, BUT SEVERAL IRANIAN OFFICIALS EXPRESSED APPRECIATION FOR VISITS OF THIS KIND WHICH IMPROVE MUTUAL UNDERSTANDING OF OTHER COUNTRY'S PROBLEMS.
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